

## Details of Splitting the Funding Mechanism

The current universal service funding mechanism would be split into two parts.

- The first part would contain the traditional network cost recovery funding mechanisms, including high cost loop support, long term support, interstate common line support, local switching support, high cost model support, interstate access support, and CETC support.
- The second part of the fund would contain the broad “social policy” initiatives, including schools and libraries, rural health care, and low-income programs.

Funding would be provided as follows:

### I. Network Cost Recovery Fund

Network cost recovery has traditionally been supported by usage-based fees (i.e., access charges) that were assessed on a per-minute-of-use basis. The shift away from usage-based fees to a new universal service funding mechanism will require that cost recovery occur on a retail per-line or per-connection basis to be administratively feasible and sustainable.

To ensure that all interstate providers contribute to the fund, “connection” should be defined as either an access connection (exchange) or a transport connection (interexchange).

Connections would be counted as follows:

Local Exchange Carriers (see notes 1 and 2)

1.	Per voice grade single line connection (NECA access line)	1
2.	Per no-PICed voice grade single line connection - additive	1
3.	Per bundled package containing local and interstate long distance	2
4.	Per DS1 retail connection (future implementation issue)	5
5.	Per DS-3 and higher retail connection (future implementation issue)	40

## Details of Splitting the Funding Mechanism

### Interexchange Carriers

- |    |   |    |
|----|---|----|
| 1. | Per pre-subscribed line   | 1  |
| 2. | Per bundled package containing local and interstate long distance   | 2  |
| 3. | Per DS-1 retail connection (future implementation issue)            | 5  |
| 4. | Per DS-3 and higher retail connection (future implementation issue) | 40 |

### Paging Companies

- |    |   |     |
|----|---|-----|
| 1. | Per one-way paging connection (future implementation issue) | 1/4 |
|----|---|-----|

### Wireless Carriers

- |    |  |   |
|----|--|---|
| 1. | Per activated wireless number, when bundled with interstate long distance or interstate long distance restricted | 2 |
| 2. | Per activated wireless number – interstate long distance defaulted to an IXC                                     | 1 |

Note 1: ISDN and Centrex connections would be identical to the number of assessed Subscriber Line Charges (SLCs).

Note 2: DSL lines would be counted on a basis consistent with cable modem and other broadband connections (future implementation issue).

## II. “Social Policy” Fund

The “social policy” mechanism would be based upon retail interstate revenues. The revenue base would be expanded to include revenues of cable and other broadband Internet access services and Internet service providers. Expansion in this manner would be appropriate, since these providers are eligible receivers.